Regulatory Terminology

Comparably Efficient Interconnection (CEI)

- The set of regulatory parameters under which telcos are permitted to provide enhanced services without structural separation, subject to FCC approval of service specific CEI Plans.
- CEI requirements will govern such telco activity until ONA Plans are effective.
- CEI and ONA are intended to bring enhanced services to the mass markets through the telcos while ensuring that such participation is nondiscriminatory and promotes competition.

Open Network Architecture (ONA)

- A regulatory requirement of the FCC as part of its Computer Inquiry III proceeding.
- Refers to the provision of both new and newly unbundled basic network services (or "building blocks") that ESPs can use to interconnect with their customers.

Customer Propietary Network Information (CPNI)

- One of the nine CEI/ONA parameters intended to ensure that the telco sales forces for enhanced services do not attain unfair market advantage by virtue of access to telco databases and mechanized systems containing data on competitors and their subscribers.
- A process for notifying subscribers of their CPNI rights and blocking such records from access by enhanced sales personnel.

Enhanced Services

What is an Enhanced Service?

Computer processing applications that:

1) act on the format, content, code protocol or similar aspects of the subscriber's transmitted information;

2) provide the subscriber additional, different or restructured information;

3) involve subscriber interaction with stored information.

In the case of voice messaging, voice "store and forward" technology is employed, hence such services are deemed to be "enhanced."

What is an Enhanced Service Provider (ESP)?

An ESP is a company that markets enhanced services to its customers through the network facilities of GTE. Examples of enhanced services are: electronic mail, electronic yellow pages, database access, protocol conversion, energy monitoring, alarm services, credit card transactions, and voice store and forward services.

ATL/BTL Concept

CentraNet Voice Messaging service is a Below The Line (BTL) offering. CentraNet Voice Messaging is viewed as a feature enhancement to complete the CentraNet product.

CentraNet Voice Messaging is a deregulated service. The price for this service is a BTL offering.

Voice Messaging will be offered as a BTL service with Above The Line (ATL) components.

OUR CODE OF BUSINESS ETHICS

OUR CODE OF ETHICS

Our Basic Responsibility

General Telephone traditionally places the highest trust in the fundamental honesty and integrity of each employee in his daily relationships with the public and his fellow employees. Each of us in the System shares the vitally important responsibility for deserving the confidence placed in us, which is the very foundation for the public acceptance and support enjoyed by the overall organization.

Secrecy of Communications

It is the right of the customer using our services to have absolute privacy of his communications, and employees should at all times safeguard this right in dealing with the customer's conversations, communications, or records. Secrecy of communications is a fundamental policy of the company and is protected by federal and state laws.

Accuracy in Reports and Records

Accuracy in reporting and preparation of company records and reports is essential at all times. Misleading or incorrect records and reports can injure our services, reputation, and financial and legal standing with the public and the communities we serve.

Safeguarding Company Funds

Each of us is responsible for safeguarding and properly accounting

for company funds, and for any records or reports we may handle which help determine the company's revenue or expenditures.

Protection of Property and Services

Each of us is expected to bear his full responsibility for the protection of company property against loss, theft, damage, vandalism, or unauthorized use. The degree to which we observe practices and instructions which afford such protection helps determine the price and quality of our services to the public.

• • •

Let us always bear foremost in mind that the actions of each one of us not only reflect upon us as individuals but upon all of our associates and the entire company.

THE CODE OF ETHICS AND THE INDIVIDUAL EMPLOYEE

In traditionally placing the highest trust in the fundamental honesty and integrity of each member of the organization, the company in turn expects that each employee's conduct should at all times reflect favorably upon the company and every other employee.

It is expected that each employee's conduct and treatment of fellow employees and community members reflect the dignity that is due each individual human being.

Contemptuous behavior toward a member of the organization or the public because of that person's national origin, religion, handicap, race, age, color or sex is unacceptable.

Serving the public provides each of us with a great responsibility. Consequently, there can be no compromise in the requirement that any individual who violates the company's code of ethics is subject to disciplinary action and dismissal.

Secrecy of Communication

Every communication of any type which is transmitted through the facilities of the company is the personal property of the customer. It is the right of every customer using our services to have the absolute privacy of his communications protected. The substance, content, or nature of any telephone conversation or communication which we handle for our customers — or the fact that there has been a conversation or communication — is not to be divulged.

An employee may not use for his benefit, or for that of others, any information derived from any conversation or communication by a customer, or from records concerning a customer.

Unauthorized persons are not to be permitted to listen to or review any communication handled. Employees must not monitor any connection more than is necessary for its proper supervision or test.

Information regarding the equipment, trunks, circuits, cables, the use of facilities, nonpublished numbers, or ticket records of calls must not be given to any unauthorized person.

Passwords, connector numbers and other means of terminal access to computer data bases are to be used solely in connection with the performance of authorized job functions. Furnishing passwords or access numbers to unauthorized persons and the use of passwords by anyone other than the employees to whom they are assigned is prohibited. It is imperative that the hardware, software and data processed by computers and stored in them and elsewhere be adequately safeguarded against damage, alteration, theft, fraudulent manipulation, and unauthorized access to, and disclosure of, Company information. Though information processed and stored in a computer may appear to be intangible, this does not lessen the need for all employees to protect such information.

Employees must not use or distribute daily addenda, non-published lists, or service order information for any purpose except as required in the performance of their prescribed duties.

Secrecy of communications is a fundamental policy of the company and is protected by federal and state laws which impose severe penalties upon any person who violates this secrecy.

Integrity of Reports and Records

Various accurate and reliable records are necessary for the company to meet its legal and financial obligations, and to manage the affairs of business. Integrity in the reporting and preparation of such records is necessary at all times to safeguard our services, our reputation, and our financial and legal standing with the public and the communities we serve.

The company's accounts and records are prepared and maintained in accordance with the Uniform System of Accounts prescribed by appropriate regulatory bodies for which various types of records are to be retained. Unauthorized destruction of records is a violation of law.

Reports and records, including those involving time spent or material used, vouchers, bills, payroll and service, and all other necessary data must be factual and accurate.

Handling of Company Money and Protection of Company Funds

Payments for telephone services very widely—from small coins for a paystation call, to the large sums of currency and checks received by business offices. Each of us is responsible for safeguarding and properly accounting for company funds, and for any records or reports we may handle which help determine the company's revenues or expenditures. For example, long distance tickets, service orders, payroll records, invoices, vouchers, and many other types of records represent company funds, just as do coins, currency, or checks. Removing, destroying, falsifying, or failing to prepare such records is as serious an offense as misappropriation of company funds or property.

Each employee who is involved in the handling of company money or records should know and follow procedures for the protection of funds and for assuring that they are credited or charged to proper accounts.

Assuring the correctness and approval of vouchers, drafts, and bills payable by the company should never be regarded as a routine matter. Each employee whose duties involve such authentication is responsible for the close scrutiny and verification of these expenses.

Coins collected, stuck or loose coins, or coins otherwise found at a coin telephone instrument must be turned in to the company in accordance with established operations practices.

Some employees are required to make adjustments on customer's calls or bills, to spend company funds, or to incur personal expenses on behalf of the company for which reimbursement is customarily made. Such employees are responsible for exercising good judgement on the company's behalf, determining that the company receives adequate value, and for verifying that the amounts expended are factually reported according to established practices.

Use of Company Property, Equipment, Facilities, and Services

Protection of the company's investment in equipment, tools, supplies, and vehicles against loss, theft, damage, vandalism, or unauthorized disposal is vitally important. The degree to which we observe practices and instructions which afford such protection helps determine the price customers must pay for our services.

Tools, supplies and materials, vehicles, telephones, and all other equipment and facilities are purchased with company funds for company use. They belong to the company in every sense, and are no more to be used for the personal benefit of an employee, or someone else, than is the cash that customers place in our hands. No company property of any kind, including salvage or surplus is to be loaned, sold, given away, destroyed or otherwise disposed of without specific authorization. No employee may use the Company's materials, vehicles (either owned or rented), equipment, tools or other property for personal purposes without specific authorization.

Telephone equipment must not be installed, moved, rearranged, or removed without an authorized service or maintenance order, or other specific instruction. Any unauthorized connection to company facilities which is discovered or suspected should be reported promptly to the proper authority.

All information regarding the access to and use of electronic data processing systems is the sole property of the company. Employees are not to use company terminals, computers and data for any purpose other than company related business.

Keys to coin telephones may be used only for the purposes intended, and in accordance with specific instructions. Such keys and associated equipment must be safeguarded and protected at all times in accordance with established practices. No key to any company premise or property is to be duplicated, loaned, or transfered without proper authorization. All keys are the property of the Company and must be returned upon request or upon termination of employment.

Personal long distance calls are not to be charged to official company telephones, nor made on an unauthorized basis from switchboards, testboards, terminals, or other facility locations. Operators are required to record every toll call handled and are prohibited from destroying any records under any circumstances.

Emplyees are not to use or possess alcoholic beverages or illegal substances in company vehicles, in company buildings or on company grounds, except those drugs specifically prescribed by a licensed practitioner.

In using company and rented vehicles, safe driving practices and all traffic laws should be observed at all times.

When working on customer premises, or on public thoroughfares, employees should observe the rights and safety of customers and of the public. Our actions in such instances reflect upon us individually, and upon the company as a whole.

Conflict of Interest

Employees should not engage in any personal business activity which may possibly be in conflict with the best interests of the company. It is the responsibility of each employee to recognize and to inform his supervisor of any situation, either existing or contemplated, which may possible create a conflict of interest. It is the responsibility of each supervisor to assist employees by reviewing any possible conflict of interest with the appropriate management personnel in order that such situations might be resolved to the best interests of both the employee and the company.

The company will not authorize any of its employees to engage in gainful employment, supplementary to company employment, in any or all activities of sales, operation, maintenance, repair, design, construction or installation of customer owned or leased equipment that is interconnected with company lines and/or central offices, and which provides a service, feature, or facility that the company has or may have, available through its tariff offerings. The term "gainful employment" includes personal work effort, direction or training of other persons, or consultative advice for any form of remuneration for services rendered.

Unauthorized supplemental gainful employment of this nature may result in immediate discharge.

Furthermore, any advice by any employee, solicited or unsolicited, for the intended purpose of discouraging any potential or actual customer from utilizing service offerings of the company, will be considered as an act of serious disloyalty and subject to employee to discharge.

The company will also consider it as a possible conflict of interest should an employee engage in any of the following specific activities:

1. Hold substantial interest in, accept employment, or engage in the management of a business which sells or provides materials, equipment, supplies, or services to the company.

2. Speculate or deal in materials, supplies, goods, or property either purchased or sold by the company.

3. Borrow money from firms or individuals from which the company regularly purchases materials, equipment, supplies, or services.

4. Accept favors or gifts of more than a nominal value from persons or firms which furnish materials, supplies, or services to the company.

CODE OF ETHICS

I have received and read the Code of Ethics

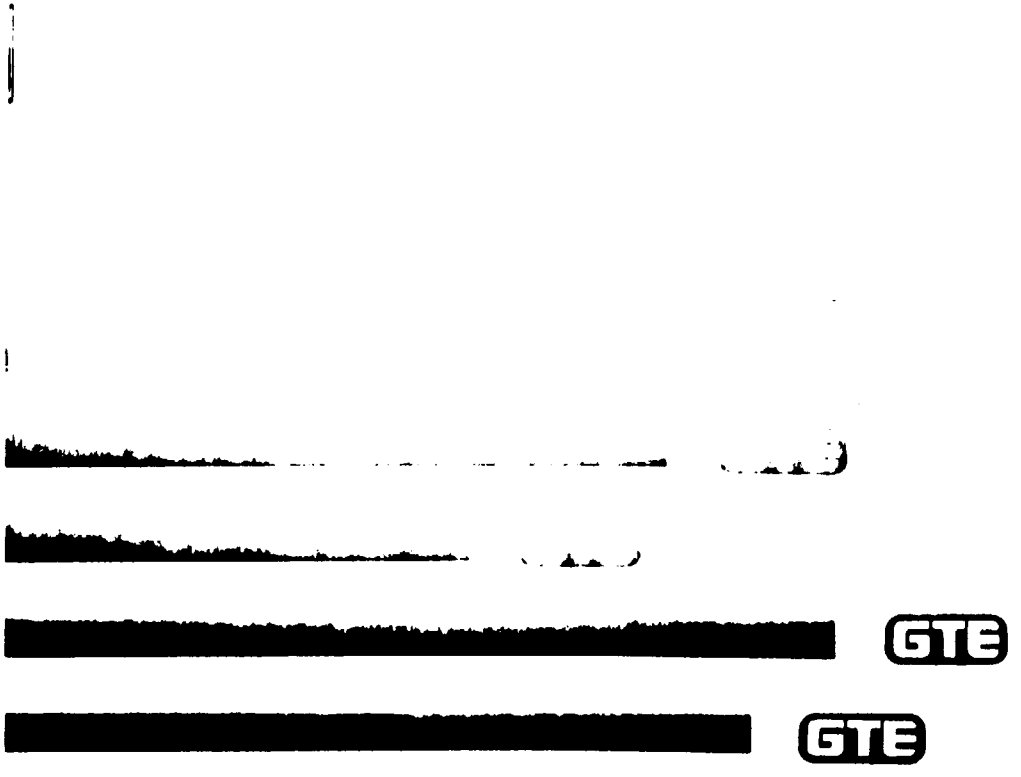
DATE	**EMPLOYEE NAME (TYPEWRITTEN)**
LOCATION	**EMPLOYEE SIGNATURE (HANDWRITTEN)**

EXHIBIT III

GTE ANTITRUST GUIDELINE BOOKLET

Every existing employee and every new employee must read and sign the Certificate contained in the booklet.

Page 7 contains a prohibition against "unhooking" activities.



ANTITRUST GUIDELINES

January 1991

FOREWORD

It is GTE's policy to comply with the letter and the spirit of the antitrust laws. These laws establish the rules by which we compete. They should not be looked upon as an impediment to our business but as a means to preserve an environment in which we can market our products and services on the basis of their merit.

As we face increased competitive challenges in all areas of our business, it is essential that everyone who is likely to encounter antitrust problems be advised both of the fundamentals of antitrust laws and of the firm resolve of management that officers and employees at all levels comply with them.

Company counsel have prepared this booklet to help you understand basic antitrust principles and to highlight some of their more frequently encountered applications. The purpose is not to train you to decide antitrust questions but to help you to recognize when they are present so that you can obtain advice from Company counsel, preferably at an early date rather than at the last possible moment. They are anxious to help you achieve your business objectives in ways that do not create legal problems for you or the Company.

We are sure that working together we can live up to GTE's antitrust obligations.

James L. Johnson
Chairman and
Chief Executive Officer

Charles R. Lee
President and
Chief Operating Officer

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Antitrust and Trade Regulation

Introduction

The Foreword restates our long standing policy of complying with both the letter and the spirit of the antitrust laws. Bear in mind that your Company is responsible for the legal consequences of your employment-related conduct and that good intentions and ignorance of the law are generally not defenses in an antitrust suit. This pamphlet is not intended to make you an expert but to help you to recognize situations that may involve antitrust considerations so that you can have timely discussions with your Company counsel. In this way, we can avoid conduct that violates the antitrust laws, and also avoid foregoing legitimate business plans or practices because of mistaken assumptions that they are not lawful.

After reading this booklet, please complete the Certificate at the end and return it to your local Human Resources Department.

General

The antitrust laws are at the heart of the free enterprise system which has in large part been responsible for this country's economic prosperity. Few governmental policies rank higher than that underlying these laws — the preservation of an economic environment in which the participants, including GTE, are free to exist and to buy and sell products and services on the basis of competitive merit. The United States Supreme Court has described the antitrust laws as "a charter of economic liberty." It is in the interest of all of us to see that we comply with this charter's rules in order that we may enjoy its benefits.

What Is Antitrust?

Antitrust is a commitment to competition -- a special kind of competition. We may not compete with others in just any way we see fit. The antitrust statutes were adopted because unfair competition was concentrating control of our economy in the hands of a small number of companies or of groups of companies called "trusts." In order to preserve a free market for goods and services, Congress, and later the

state legislatures, imposed restrictions on the way companies may compete. That is why another name for antitrust is "trade regulation." The goal is not to stifle competition, but to preserve an environment in which all can compete aggressively, but fairly.

Antitrust is a two-way street. It applies both to us and to our competitors. Of course, the fact that another company is violating the law is no justification for our doing so. We should be alert for signs of anticompetitive conduct on the part of our competitors and discuss it with counsel promptly. Early reporting is crucial.

Antitrust policy is reflected in a series of very broadly worded statutes. Given this general language, court decisions play an important part in establishing antitrust rules which continually develop as the courts deal with different situations in the light of changing circumstances.

Antitrust Rules

Generally, the antitrust rules may be broken down into two categories: those which prohibit practices involving two or more companies and those which prohibit conduct even if only one company is involved.

A. Joint Conduct

There are many business practices, such as setting the price at which a service or product will be sold, which, if engaged in by one company acting independently, are perfectly proper. However, they are illegal if they involve two companies acting together by agreement. The antitrust laws forbid (i) agreements (ii) by two or more companies (iii) in unreasonable restraint of trade. All of these elements must be present to make out a violation of the prohibitions discussed in this Section. What do these elements mean and how are they applied?

1. *Agreements:* An "agreement" is just what it says. It is not necessary that the people involved sign a contract or shake hands or otherwise say to one another, "We agree." In antitrust cases, a court may conclude that there is an agreement from the way parties act. Do businesses have the same or very similar prices and distribution practices; and do their employees talk with one another about these subjects; and do they give each other advance notice of marketing policy changes? Courts have concluded that in some circumstances such conduct can establish the existence of an implied or tacit agreement. This does not mean that a company may not independently decide to do what it knows a competitor has done, for instance, adopt a similar price change. However, such conduct, which is called conscious parallelism, can, if other factors are present, lead to a determination that an agreement exists. Therefore, before adopting a pricing policy or distribution practices like those of a competitor, you should discuss the matter with Company counsel.

   Since an agreement is an essential element of the offenses discussed in this Section, exposure is reduced by avoiding contacts with other companies with regard to the subjects discussed below in Paragraph 3.

2. *Two or More Companies:* The essence of this element is that more than one company is involved. Certain agreements with others, such as competitors, manufacturers, distributors, suppliers, customers and telephone utilities may run afoul of the antitrust laws. Recent developments in the law indicate that a parent such as GTE and a wholly-owned subsidiary do not alone satisfy the two company requirement. The same may also be true of agreements between subsidiaries of the same parent. Since the law is not fully clear in this area, you should review agreements with affiliates with Company counsel in advance for antitrust as well as other legal implications.

3. *In Unreasonable Restraint of Trade:* Over the years, the following types of conduct have come to be recognized as unreasonable restraints prohibited by the antitrust laws.

   a. *Agreements Among Competitors Fixing the Terms on Which, the Persons to Whom, or the Places Where, They Will Sell:* Competitors may not agree on the prices or other terms at which they will offer their goods and services. They are also forbidden to split up the market by allocating among themselves territories, types of customers, types of businesses or particular jobs. Agreements of this sort are among the most serious of antitrust offenses. They can, and often do, lead to criminal prosecution of the companies and individuals involved. You should refuse to talk about

these subjects with competitors and report to counsel immediately any efforts on their part to discuss these matters with you

b *Agreements Between a Buyer and a Seller Fixing the Terms of Resale by the Buyer:* When a seller sells a product or service to a buyer, for instance a distributor, the seller cannot dictate the price at which the buyer can resell Furthermore, in certain circumstances, the antitrust laws may prohibit a seller from specifying the place from which, the territories in which, or the customers to whom, a buyer may resell. Should you be considering placing any restrictions whatsoever on the freedom of a buyer of our goods and services to resell them, consult with Company counsel in advance.

c. *Boycotts, Refusals to Deal and Terminations:* In certain circumstances, two or more companies, whether or not they are competitors, may not agree, for anticompetitive reasons, not to deal with another company, such as a price-cutting distributor or a supplier who also competes with them. On the other hand, we are, as a general rule, free to decide on our own to whom we will sell or lease our products and services. There may be exceptions to this rule in the case of so-called essential facilities.* Furthermore, terminations of dealers and distributors frequently produce antitrust suits against the terminating supplier. Therefore, you should review these matters with Company counsel before proceeding.

d. *Reciprocity:* We should not condition our use of a product or service on its seller's agreement to buy from us or from an affiliated company. We should not make information about our purchases available to our marketing departments.

e. *Exchange of Information:* Courts have sometimes held that an agreement to fix prices, to allocate customers, or to engage in some similar anticompetitive conduct can be inferred from exchanges between competitors of information not yet available to the public concerning such subjects as pricing and marketing intentions. Therefore, you should not talk about these matters with employees of other companies. This rule does not prohibit companies from exchanging with one another information needed to make lawful joint responses to requests for proposals. In addition, telephone company employees may exchange technical information with other operating companies to the extent necessary for the proper functioning of the network.

It is not an unreasonable restraint of trade for competitors, in order to obtain competitive advantage, jointly and in good faith, to seek governmental action, such as legislation, agency regulations or court rulings. Courts interpret this doctrine narrowly. Therefore, such activities should be discussed in advance with Company counsel.

B. Efforts to Acquire or Maintain Very Large Market Shares — Monopolization and Attempts to Monopolize

The law forbids monopolization and attempts to monopolize. In these cases, one company, acting entirely on its own, can commit the offense. The "two companies" requirement does not apply.

The law does not forbid possession of all very large market shares. They are often acquired by perfectly lawful means, for instance, by superior skill or by a government grant such as a patent or assignment of a franchised operating territory. On the other hand, if a company employs anticompetitive or predatory methods to obtain or attempt to obtain a very large market, or retains or attempts to retain a very large, but lawfully obtained, market share by means of such conduct, the company may have committed an antitrust violation. Likewise, two or more companies that agree to anticompetitive or predatory conduct intended to produce or maintain a very large market share may have entered into an unlawful agreement to monopolize even if they do not succeed.

What follows are some types of conduct that are not in all cases in and of themselves violations of the antitrust laws — although they may, and generally do, violate other laws. However, when the practices are part of a program to obtain or keep a very large market

*See discussion at page 6.

share, they may be found to be evidence of either monopolization or attempted monopolization.

1. *Predatory Pricing:* This is the sale or lease of products or services at a loss or at unreasonably low prices in order to drive competitors out of the market or block their entry. Most, but not all courts, presume that sales at or above the seller's marginal or average variable costs are not at a loss and are, therefore, lawful. There may be situations in which sales at a loss are permitted but these must be discussed in advance with Company counsel.

2. *Discrimination in Providing Access to an Essential Facility or Service:* An essential or "bottleneck" facility or service is one which others must use in order to conduct their businesses. Courts have held that it is unlawful to deny access to an essential facility or service for anticompetitive reasons, such as the creation or preservation of a monopoly or to increase market share in a related business.

3. *Use of Purchasing Power:* A company with a very large market share may not use its purchasing power to make a sale or to discourage competition. It maybe improper for such a company to (i) engage in reciprocity,* (ii) refuse to buy from a supplier because it buys from, or sells to, a competitor, or (iii) refuse to buy from a supplier because it is a competitor. There may be limited exceptions to these rules but refusals to deal of this type must be discussed in advance with Company counsel.

   We should not, when trying to gain or hold a customer, mention the fact that we buy from that customer. Likewise, we should not suggest that our employees will make their personal business decisions on that basis or in any way ask our employees actually to do so.

4. *Disparagement:* It is our policy to make sales on the strengths of our own products and services and not by making statements critical of our competitors. Such statements, if false or misleading, are disparaging, violate state law, and, when frequently made by a company with a large market share about its small competitors, may be taken as evidence of intent to obtain or maintain market position improperly. Any comments about a competitor, its products and its services must be both scrupulously accurate and relevant to the quality of the competing products or services. You should also avoid negative remarks about entire groups of competitors and their products and services. What is true of one may not be true of others.

   It is permissible to correct misstatements which competitors have made about their own or our services and products.

5. *Interference with the Customers of Competitors—Unhooking:* We may not urge a customer to violate a contract with a competitor. In the telephone industry, this is sometimes called "unhooking." The answer to the question whether the customer has a legally binding contract is one that varies from state to state. Generally, it is permissible to convince a customer who has a contract with a competitor to exercise rights provided for in the contract, such as the non-renewal of a lease at the expiration of its term or the exercise of a termination option. Before approaching a customer who may have a contract with a competitor, you should consult with Company counsel to determine what is permissible under state law.

   Frequent unhooking efforts by a large-share company may be evidence to support an antitrust monopolization charge. In addition, even individual cases of unhooking may be violations of state law, regardless of the size of the market share of the company involved.

C. Other Antitrust Provisions

Antitrust restrictions relating to agreements in restraint of trade and to monopolization are the ones most frequently encountered. However, there are additional rules which you may encounter from time to time.

1. *Tie-ins:* A sale of one of our products to a customer should not be conditioned on an agreement to buy another of our products unless the first will not function as intended without the second. In addition, tying arrangements involving sales of products or services or leases of products may be illegal as agreements in unreasonable restraint of trade if the company imposing the tie has sufficient control of the supply of the tying

*See the discussion of Reciprocity on page 4

product to force a tie. You should discuss any transactions of this type with Company counsel in advance.

2. *Exclusive Dealing:* Generally, the sale of a product should not be conditioned on the buyer's agreement not to deal with the seller's competitors. There are some exceptions to this rule. It is permissible under some circumstances to appoint a distributor who will deal only in our products or services. Contracts which require that you deal exclusively with only one supplier may, in some circumstances, raise antitrust questions. If you are faced with a situation of this type, consult Company counsel.

3. *Anticompetitive Discrimination in the Sale of Goods:* The Robinson-Patman Act prohibits a seller from discriminating "in price between different purchasers of commodities of like grade and quality . . . where the effect of such discrimination may be substantially to lessen competition or tend to create a monopoly . . . or to injure, destroy, or prevent competition." There are some exceptions to the rule of nondiscrimination. A company may offer to sell products at volume or other similar discounts if it can prove they reflect "differences in the cost of manufacture, sale, or delivery." It may also offer better terms to one customer in a good faith effort to meet, but not beat, the offer of a competitor. In meeting competition, we should obtain from a source other than the competitor the best reasonably available evidence of the competing bid; for instance, a copy of the competitor's written proposal or contract, if obtainable. A number of companies already have "meeting competition" procedures which should be strictly followed.

   It is unlawful for a buyer of goods "knowingly to induce or receive" a prohibited discriminatory price.

   Since the Robinson-Patman Act applies only to sales of commodities, it does not affect the bona fide leasing of commodities or the sale or leasing of services. This statute is very complex. You should consult counsel whenever a problem arises.

4. *Joint Ventures and Acquisitions of All or Part of the Stock or Assets of Other Companies:* These activities may run afoul of the antitrust laws if their effect presently or in the future "may be substantially to lessen competition, or to tend to create a monopoly." In the case of most acquisitions or divestitures, we are required to notify federal agencies in advance and to observe statutory waiting periods before completing the transaction. Persons considering entering into acquisitions, joint ventures or similar arrangements should discuss them thoroughly with Company counsel before beginning serious investigations or negotiations.

5. *Unfair Trade Practices:* The Federal Trade Commission Act prohibits unfair methods of competition and unfair or deceptive acts or practices. These include not only all conduct which would violate the antitrust laws but additional practices as well, such as misleading advertising and other activities which take unfair advantage of a consumer.

Industry Standards and Trade Associations

Participation in such associations is lawful and they perform a valuable function. However, their activities are frequent sources of antitrust litigation. You should approach them with great care. Trouble has arisen in two principal ways. First, members have used associations for anticompetitive purposes, such as setting unnecessarily strict industry standards which nonmember competitors cannot meet, establishing price schedules for members to follow, exchanging bid information, or excluding nonmembers from various types of business. All interested parties should be afforded the opportunity to participate in the development of industry standards. They should be no more restrictive than is necessary to accomplish legitimate objectives such as safety and product compatibility.

The second frequently encountered source of association-related problems is the tendency of members to use meetings as an occasion to exchange trade information or make illegal agreements.

You should review with Company counsel existing and proposed memberships in trade associations and the procedures which they follow in the conduct of their activities. Carefully thought-out procedures, strictly followed, can reduce the risk of antitrust violations. During business sessions you should stick to an agenda, and, after the work is done, avoid shop talk. If discussion during a business session strays into sensitive antitrust areas, try to guide it back to proper subjects. If this

fails, leave the meeting, ask to have your departure noted in the meeting minutes and report the discussion to Company counsel.

The fact that an association is created in response to a governmental directive or suggestion does not necessarily immunize the association's activities from the application of the antitrust laws.

Abuse of Intellectual Property Rights

The intent of government-granted intellectual property rights such as patents, copyrights and trademarks is to give their owners protection against unauthorized use. The mere refusal to grant a license to use, or enforcement of, a lawfully-acquired intellectual property right is unlikely to give rise to antitrust problems. However, antitrust courts sometimes interpret an owner's rights narrowly and may rule against an owner if there is any defect in the patent, copyright or trademark. In addition, courts have found that some business arrangements based on intellectual property rights violate the antitrust laws. Examples include: licenses requiring royalty payments that continue beyond the life of the intellectual property right involved or that are based on subject matter not in fact protected by an intellectual property right; the imposition of restrictions on the licensee's freedom to establish a competitive price for a licensed product; unilaterally-imposed package licensing requirements; grant-backs; and tie-ins, for example, those that condition access to copyrighted software on the purchase of non-proprietary hardware. You should not become involved in applications for, or assignments or licenses of, patents, copyrights or trademarks before consulting Company counsel.

The Antitrust Laws and Governmental Regulation

All of our businesses are subject to various forms of governmental regulation. This is especially true of telecommunications companies. Often, statutes or regulatory directives appear to conflict with the antitrust laws. In these cases it is necessary to determine whether the antitrust laws actually apply to conduct in a regulated environment. The first question is whether there is actually a conflict. If not, the regulatory directive and the antitrust law both apply fully. If there is a conflict, then it is necessary to determine which takes precedence. Short of a clear regulatory order to engage in particular conduct, the antitrust laws will

probably have priority. For instance, in the absence of specific legal advice to the contrary, you should not assume that responding to a regulatory suggestion or request will confer antitrust immunity for conduct that would otherwise violate the antitrust laws. Commission approval of a tariff does not necessarily make the practice covered immune from antitrust attack. The interplay of regulation and the antitrust laws is highly complex and the law affecting it is not well settled. Therefore, it is important to consult with Company counsel before engaging in practices that may involve both areas of the law.

International Business

The United States antitrust laws apply not only to domestic business but to the import and export trade of the United States as well. Agreements restricting imports into or exports from this country are frequent subjects of litigation. Competing companies may not divide world business in such a way as to affect substantially the foreign trade of the United States.

You may not safely assume that because all of the participants in a transaction are foreign corporations or all the negotiations or transactions take place abroad that the United States antitrust laws do not apply. If there is an intentional effect on the interstate or foreign commerce of the United States, for instance by a reduction in imports or exports, the United States antitrust laws may be held to apply. Therefore, you should discuss with Company counsel in advance any international transaction which might raise antitrust problems if it were carried out in this country. Furthermore, the European Common Market and a number of foreign nations have their own antitrust laws. Before doing business in another country, counsel familiar with its laws should be consulted to make sure there are no antitrust or other legal problems.

Penalties and Remedies

Many antitrust violations can lead to criminal convictions and fines and imprisonment. Under federal law, individuals can be imprisoned for up to three years and fined as much as one hundred thousand dollars, and corporations can be fined up to one million dollars. In addition, any person, such as a competitor, supplier, customer or consumer, who can prove injury caused by an antitrust violation, may sue and recover three times its damages and a reasonable attorney's

fee as well. Antitrust judgments and settlements have frequently amounted to tens, and on rare occasions, hundreds of millions of dollars. A court may also impose crippling restrictions on the business practices a company may employ, barring even those which would otherwise be lawful, in order to remedy the effects of an antitrust violation. Finally, there is the disruption of a business which can result from even a successful defense in an antitrust case — loss of the valuable time of officers and employees who are requested to testify or otherwise assist in the case — time which could be much more fruitfully devoted to the company's operations.

Records and Documents

It is frequently possible for a hostile reader, such as a plaintiff in an antitrust suit, to misinterpret a perfectly harmless remark or take it out of context so that it appears to suggest that we have engaged in illegal conduct. There is no assurance that any document you write will not fall into the hands of others outside the Company. Therefore, when it is necessary to write any kind of document, or even to make an oral statement, the preceding discussion should be kept in mind. You should assume that statements and documents will become public. Ask yourself the following questions: "Do I state clearly what I intend to say? Have I stuck to the point I want to make? Could someone, either innocently or maliciously, interpret what I am saying as meaning something I don't intend, for instance, that we are acting illegally? Is the statement one I am authorized to make on behalf of the company? Am I distributing the document more widely than necessary?" These questions should be asked not only in the light of the antitrust laws, but also all the other legal and ethical considerations that apply to the conduct of our business. Change any language that has to be explained to avoid misinterpretation. Explaining statements later creates unnecessary complications — or much worse — particularly if the writer is not available to do the explaining. There is also always the risk that the explanation offered will not be believed.

Conclusion

The antitrust laws do not put American business in a strait jacket. On the contrary, they are intended to encourage aggressive, but fair business conduct. Most of the prohibitions are of practices which an ethical businessperson would not consider in the first place. Furthermore, without some restrictions, this country cannot hope to have a marketplace in which superior business skills and products will be rewarded — the goal of a free enterprise system and a goal that works in our favor.

The Company's lawyers welcome any questions you may have about this description of the antitrust laws or their application to particular conduct.

CERTIFICATE

I have read and understand the GTE Antitrust Guidelines.

Company	Signature
Date	Name (Printed or Typed)

A meeting was held on June 30, 1992 to review GTE's "unhooking" policy as applied in an ONA environment.

Representatives from each sales channel attended and committed to have the policy reviewed by their organization. Each participant is required to sign an attendance roster indicating the policy statement is understood.

The attached internal correspondence was a follow up reminder sent by an ONA implementation employee.

Date: 7-17-92 11:21am
From: R.Gallenstein:tel:gtego
To: K.Althans, K.A.Cox, B.Greenlee, Brad.Hicks
cc: R.Gallenstein
Subj: UNHOOKING

As a follow up to our meeting on "unhooking" the following is GTE Policy on this subject:

We may not urge a customer to violate a contract with a competitor. In the telephone industry this called "unhooking". The term "unhooking" in an enhanced service environment refers to a situation in which a regulated local exchange carrier (LEC) influences a competitor's customer who has contacted the LEC for regulated services which are required for operation of the comprtitor's enhanced service to switch to the enhanced service offered by the LEC. GTE Telops policy does not allow the use of this unethical marketing practice. Violations of this policy could lead to antitrust charges against GTE. If in doubt whether a particular circumstance is in violation of this unhooking policy, GTE Telops counsel should be consulted.

An example of unhooking would be where a GTE customer who has voice messaging service from an ESP competitor contacted GTE and we urged the customer to switch to the voice messaging provided by the GTE ESP. Another would be where a customer was ordering network services from GTE and indicated these were required for a competitor's voice mail system and we urged the customer to switch to the GTE product.

Please make sure this policy is reviewed with all sales personnel by August 31 1992. If you have any questions please contact me.

EXHIBIT IV

FACILITIES FOR INTERSTATE ACCESS

2. GENERAL REGULATIONS (Cont'd)

2.1 Undertaking of the Telephone Company (Cont'd)

2.1.7 Changes and Substitutions

Except as provided for equipment and systems subject to Part 68 of the FCC Rules and Regulations in 47 C.F.R. Paragraph 68.110 (b), the Telephone Company may, where such action is reasonably required in the operation of its business, substitute, change, or rearrange any telephone plant used in providing FIA under this tariff, change minimum network protection criteria, change operating or maintenance characteristics of facilities, or change operations or procedures of the Telephone Company. In case of any such substitution, change or rearrangement, the facility parameters will be within generally accepted standards. The Telephone Company shall not be responsible if any such substitution, change or rearrangement renders any customer furnished services obsolete or requires modification or alteration thereof or otherwise affects their use or performance. If such substitution, change, or rearrangement materially affects the operating characteristics or technical parameters of the FIA, as originally ordered by the customer, the Telephone Company will notify the customer in writing prior to making such substitution, change or rearrangement. Notification will be given as follows:

- Should a major change occur, the Telephone Company shall notify the customer at least one year in advance. A major change is described as any change in telephone plant which will affect the technical parameters of the interface (e.g., level, impedance, signaling, interface, bandwidth, two-wire, four-wire, etc.).

- Should a minor change occur, the Telephone Company shall notify the customer at least thirty days in advance. A minor change is described as any change in telephone plant which will not affect the technical parameters of the interface (e.g., level, impedance, signaling, interface, bandwidth, two-wire, four-wire, etc.).

The Telephone Company will work cooperatively with the customer relative to the redesign and implementation required by the change in operating characteristics.

2.1.8 Discontinuance and Refusal of FIA

(A) Unless the provisions of 2.2.2(B) apply, if the customer fails to comply with the provisions of 2.1.6, 2.3.1, and 2.4.1(D), including any payments to be made by it on the dates or at the times herein specified, and fails within thirty (30) days after written notice, by certified mail, from the Telephone Company to a person designated by the customer to correct such noncompliance, the Telephone Company may discontinue the provision of the FIA to the noncomplying customer. In case of such discontinuance, all applicable charges shall become due. (T) (T)

(B) If the customer repeatedly fails to comply with the provisions of this tariff in connection with the provision of a FIA or group of FIA, and fails to correct such course of action after notice as in (A), the Telephone Company may refuse applications for additional FIA to the noncomplying customer until the course of action is corrected. (T)

EXHIBIT V